

AMENDED IN ASSEMBLY MAY 9, 2007

AMENDED IN ASSEMBLY MARCH 5, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 21

**Introduced by Assembly Member Jones
(Principal coauthor: Assembly Member Solorio)
(Coauthors: Assembly Members *Beall*, De Leon, Hancock,
Krekorian, Leno, Mullin, and Portantino)**

December 4, 2006

An act to add Section 17052.1 to the Revenue and Taxation Code, relating to taxation, ~~to take effect immediately, tax levy making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 21, as amended, Jones. Income taxes: earned income tax credit.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law, including certain credits that are allowed in modified conformity to credits allowed by federal income tax laws.

This bill would, for taxable years beginning on or after January 1, ~~2008~~ 2007, allow a credit computed by multiplying the federal credit amount, as defined, by 15% and subtracting therefrom the alternative minimum tax, as specified. ~~The This bill would provide that the credit would be refundable upon appropriation by the Legislature, as provided and would thereby make an appropriation.~~

~~This bill would take effect immediately as a tax levy.~~

~~This bill would declare that it is to take effect immediately as an urgency statute.~~

Vote: ~~majority~~^{2/3}. Appropriation: ~~no~~^{yes}. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17052.1 is added to the Revenue and
2 Taxation Code, to read:
3 17052.1. (a) For each taxable year beginning on or after
4 January 1, ~~2008~~ 2007, there shall be allowed as a credit against
5 the “net tax” (as defined by Section 17039) an amount determined
6 under subdivision (b).
7 (b) Except as otherwise provided in this section, the amount of
8 the credit allowed under subdivision (a) shall be computed by
9 multiplying the “federal credit amount” (as defined in subdivision
10 (c)) by 15 percent and subtracting therefrom the amount of tax
11 imposed by Section 17062 (relating to alternative minimum tax),
12 if any, for the same taxable year.
13 (c) For purposes of this section, “federal credit amount” means
14 the amount determined under Section 32 of the ~~Internal Revenue~~
15 ~~Code prior to the application of subdivision (h) of that section,~~
16 ~~relating to reduction of credit to taxpayers subject to alternative~~
17 ~~minimum tax.~~ *Internal Revenue Code.*
18 (d) No credit shall be allowed under this section to any of the
19 following:
20 (1) Any person who is treated as a nonresident for any portion
21 of the taxable year.
22 (2) Any person who is married (within the meaning of Section
23 17021.5) and files a separate return for the taxable year.
24 ~~(e) Section 3507 of the Internal Revenue Code, relating to~~
25 ~~advance payment of earned income credit, shall not apply.~~
26 ~~(f)~~
27 ~~(e)~~ For purposes of this section, any reference to Section 32 of
28 the Internal Revenue Code means the Internal Revenue Code as
29 ~~amended by Public Law 106-107.~~ *applicable for federal purposes.*
30 ~~(g)~~
31 ~~(f)~~ If the amount allowable as a credit under this section exceeds
32 the tax liability computed under this part, the excess shall be
33 credited against other amounts due, if any, and the balance, if any,
34 shall be refunded to the taxpayer ~~upon appropriation by the~~
35 ~~Legislature.~~

1 ~~(h)~~

2 (g) Notwithstanding any other state law, and to the extent
3 permitted by federal law, amounts refunded pursuant to subdivision
4 ~~(g)~~ (f) shall be treated the same as the federal credit defined in
5 subdivision (c) for the purpose of determining eligibility to receive
6 benefits under Division 9 (commencing with Section 10000) of
7 the Welfare and Institutions Code or amounts of those benefits.

8 SEC. 2. It is the intent of the Legislature that state funds spent
9 for the purposes of an earned income tax credit shall be balanced
10 by a commensurate increase in state revenues realized from the
11 closure of loopholes in the Revenue and Taxation Code and from
12 the repeal or modification of outmoded, ineffective, or unfair tax
13 expenditures.

14 ~~SEC. 3.—This act provides for a tax levy within the meaning of~~
15 ~~Article IV of the Constitution and shall go into immediate effect.~~

16 SEC. 3. *This act is an urgency statute necessary for the*
17 *immediate preservation of the public peace, health, or safety within*
18 *the meaning of Article IV of the Constitution and shall go into*
19 *immediate effect. The facts constituting the necessity are:*

20 *In order to provide equality and fairness to all taxpayers, it is*
21 *necessary that this act go into immediate effect.*